

***United States Court of Appeals
for the Second Circuit***



**BRIEF FOR
APPELLEE**

77-7086

United States Court of Appeals

FOR THE SECOND CIRCUIT

CHESA INTERNATIONAL, LTD.,

Plaintiff-Appellee,

v.

FASHION ASSOCIATES, INC., HONG KONG QUALITY
KNITTERS, LTD., and JEROME FINKELSTEIN,

Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

BRIEF OF PLAINTIFF-APPELLEE

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BRIEF OF PLAINTIFF-APPELLEE

Questions Presented

1. May issues be raised on this appeal which were finally decided in an earlier action as well as raised on a prior appeal which had been dismissed by this court with prejudice?
2. May a permanent injunction on consent be collaterally attacked during contempt proceedings?
3. Was the district court's finding that the plaintiff has valid rights to a 4 G trademark clearly erroneous where the evidence showed that the plaintiff had spent in excess

of \$750,000 in creating good will for this mark and that the trade and public did, in fact, associate the mark with the plaintiff?

4. Was the district court's finding that the defendants were in contempt clearly erroneous where the evidence showed that the defendants, twenty days after the entry of a Consent Decree enjoining use of the 4 G mark or "any colorable imitation thereof", attempted to circumvent this injunction through the formation of a "dummy" corporation which, in turn, began using a colorable imitation?

5. Did the district court act within its discretion in awarding to the plaintiff the defendants' unlawful profits?

6. Was the special master's finding that disclosure of all of the defendants' customers, embroiderers and related companies was relevant and necessary to determine and verify the defendants' unlawful profits clearly erroneous where the defendants had been given a protective order and had themselves sought no other or further relief, where the defendants had previously infringed the plaintiff's 4 G mark as well as willfully violated a Consent Decree and where the defendants subsequently admitted to having fabricated evidence?

7. Is this appeal by the defendants frivolous within the meaning of Rule 38, Federal Rules of Appellate Procedure, where the issues raised are not timely as well as lacking in merit and there has been no showing that any findings of the district court were clearly erroneous?

Preliminary Statement

This is a case of trademark infringement, unfair competition and contempt of court. The defendants are appealing from the Honorable Lloyd F. MacMahon's opinion of January 24, 1977, which is reported at 425 F. Supp. 234.

This appeal is both time barred and frivolous and yet another example in this case of what has been described as the defendants' "dilatory, obstructive and generally uncooperative behavior . . . (and) foot dragging and evasive attitude . . ." (A 15, 16)¹ To date, the defendants have willfully infringed two of the plaintiff's trademarks, willfully disobeyed a Consent Decree and fabricated evidence during discovery proceedings. On this appeal they are contesting the validity of one of plaintiff's trademarks, notwithstanding that they are estopped from raising this issue on any one of several grounds. They also claim to be contesting certain findings of the district court, notwithstanding that there has been no showing by them that these findings were in any way "clearly erroneous".

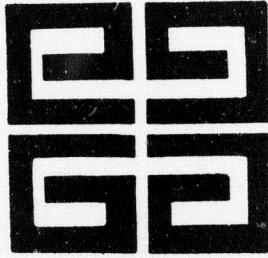
By decision dated June 22, 1977, this court denied without prejudice plaintiff's Motion for Summary Dismissal and Other Relief. Plaintiff now renews that Motion, in the belief that this appeal by the defendants is frivolous and warrants an award to the plaintiff of its damages in connection with this appeal, including both attorneys' fees and double costs.

Statement of the Case

Plaintiff Chesa International, Ltd. (plaintiff), under written license from the French company, Givenchy, S.A.,

¹ Numbers preceded by the letter "A" in parenthesis refer to pages of the Appendix.

(Givenchy), manufactures and sells in the United States garments embroidered and silk screened with the following 4 G trademark (SA 4, 9):²



These garments, as to style and workmanship, are carefully controlled and approved by Givenchy's agent in the United States, Hubert de Givenchy, Inc. (Transcript of April 30, 1976, pp. 32, 33). Plaintiff during the past several years has expended hundreds of thousands of dollars advertising garments with this trademark so that the trade and public have come to recognize it as indicating that the goods so marked originate with Givenchy through the plaintiff. (Transcript of July 28, 1975, pp. 73, 74).

The business of the defendant, Fashion Associates, Inc., (Fashion Associates) has succinctly been described by defendant Jerome Finkelstein, its president, in the following colloquy between Mr. Finkelstein and his then local counsel, Mr. Klein:

- Q. Mr. Finkelstein, did you ever advertise or tell your customers that the T-shirts you were selling were Givenchy models?
- A. We told them they were knock-offs. We copy—we are a copy house and we just knock off different styles.

² Numbers preceded by the letters "SA" in parenthesis refer to pages of the Supplementary Appendix.

(Transcript of July 28, 1975, p. 67). Among these so-called "styles" used by Fashion Associates is the 4 G mark on which plaintiff had spent its considerable efforts so as to establish its reputation.

In July, 1975, plaintiff filed suit against Fashion Associates, alleging that Fashion Associates was unfairly competing with the plaintiff through its sales of garments bearing the 4 G mark. Plaintiff based its claim on Section 43(a) of the Lanham Act (false designation of origin) as well as on various non-federal causes of action (Complaint of July 18, 1975). Pursuant to Rule 65(a) (2), Federal Rules of Civil Procedure, the district court ordered the trial of the action on the merits consolidated with plaintiff's application for a preliminary injunction (Transcript of July 23, 1975, p. 9) and at the trial on July 28, 1975, the court, in issuing a preliminary injunction held: (1) that the plaintiff is the authorized licensee of Givenchy, (2) that Givenchy has common law rights to the 4 G mark, (3) that the 4 G mark indicates origin and functions as a trademark, and (4) that the defendants willfully infringed the 4 G mark and had unfairly competed with the plaintiff. (Transcript of July 28, 1975, pp. 73-74). An Order was subsequently signed on August 12, 1975, which confirmed these findings (Order Granting Preliminary Injunction).

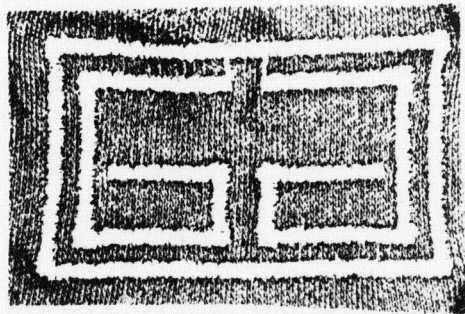
Notwithstanding the lower court's finding of intentional infringement and unfair competition, plaintiff agreed to waive all claims to damages in return for Fashion Associates' stipulation to the entry of a Consent Decree and its "faithful . . . adherence to the terms of" that Decree. The stipulation was expressly premised on the parties understanding that

the Court has found that plaintiff is the licensee of GIVENCHY, S.A., which has a common law trademark in the name GIVENCHY and in the GG Design

trademark identified as Exhibit A to the Complaint filed herein, that plaintiff is the licensee thereof and that the activities of defendant complained of constitute infringement of the GG Design trademark and Unfair Competition against the plaintiff . . .

(SA 4) The parties specifically agreed to "waive any further entry of findings of fact and conclusions of law" (SA 5, ¶ 1). On October 6, 1975, this Stipulation was signed on behalf of Fashion Associates by its president, Jerome Finkelstein. On October 21, 1975 the Consent Decree was entered by the clerk of the district court. It enjoined Fashion Associates and persons in active concert with Fashion Associates from using the 4 G mark or any "colorable imitation thereof" (SA 2, ¶ a).

Twenty days later, on November 10, 1975, the defendant Hong Kong Quality Knitters, Ltd. (Hong Kong) was incorporated in New Jersey (SA 13, ¶ 7) and began selling garments bearing the following device which consists of the bottom half of the 4 G mark:

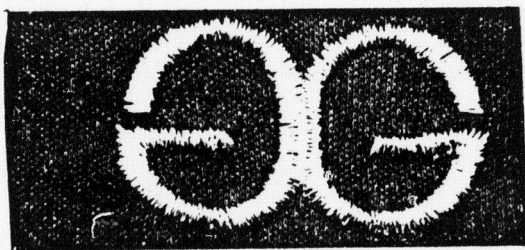


(SA 14, ¶ 13) Mr. Finkelstein subsequently admitted that he was the principal of both Fashion Associates and Hong Kong (Affidavit of Jerome Finkelstein of April 14, 1976, ¶ 1) and in the case of Hong Kong was its sole employee (SA 36). Both companies operated out of the same premises in New Jersey (SA 13, ¶ 10).

At a hearing held on April 30, 1976, the district court found that Mr. Finkelstein had deliberately attempted to circumvent the Consent Decree through a company which he had formed and entirely controlled. It adjudged Mr. Finkelstein, Hong Kong and Fashion Associates in contempt for their having willfully violated the Decree (Transcript of April 30, 1976, pp. 56-57; SA 15, ¶ 2) and appointed a Special Master to take an accounting as to the defendants' profits from their contemptuous conduct (SA 19, ¶ 3). In addition, the court amended the earlier Decree so as to award to the plaintiff those profits which had been conditionally waived (SA 15, ¶ 3). The Special Master was to determine the amount of these profits as well (SA 19, ¶ 3).³

On July 7, 1976, the defendants filed with the district court a Notice of Appeal from the order adjudging them in contempt. In their Pre-Argument Statement of July 15,

³ Plaintiff simultaneously brought a separate action for unfair competition against these same defendants' for their recently commenced sales of garments bearing the following back-to-back two G mark also being used by the plaintiff under license from Givenchy:



This second infringement action was ordered consolidated by Judge Tenney on March 23, 1976, with the proceedings for contempt and at the hearing on April 30, Jerome Finkelstein, Hong Kong, Fashion Associates as well as Ethel Finkelstein were preliminarily enjoined from using this back-to-back two G mark (SA 19, ¶ 4). This second infringement, however, is not at issue on this appeal.

1975, with the Court of Appeals they indicated that they were contesting on their appeal the validity of the 4 G mark (SA 25). However, on September 17, 1976, their appeal was ordered dismissed by default for their failure to file a Brief and Joint Appendix as had been directed in the Scheduling Order (SA 59).

In the meantime, discovery proceeded before the Special Master. In his report which was filed on September 10, 1976, the Special Master found that profits were made by the defendants of \$18,105.00 prior to the Consent Decree and profits of \$2,586.00 by virtue of their contemptuous conduct thereafter (SA 52). These findings were the result of the defendants' own failure to maintain adequate records for sales which, the court had found, defendants knew infringed the plaintiff's trademark as well as what the Special Master would summarize in his Report as "repeated delays in providing discovery, outright refusal to provide some of the discovery which I directed, and the submission of one piece of fabricated evidence" (SA 28). The Master specifically precluded the defendants from supporting any elements of costs or deductions and calculated damages on the basis of 100% of their invoices, since the defendants had themselves prevented proof by the most satisfactory evidence (SA 48-52).

The district court in its opinion of January 24, 1977, confirmed this Report in all respects and Final Judgment was entered on February 10, 1977 (A 10-23).

ARGUMENT

POINT I

The defendants may not contest on this appeal the district court's finding that the plaintiff has valid rights to the 4 G trademark or its finding that the defendants were in contempt.

- A. *The finding that the plaintiff has valid rights to the 4 G trademark as well as the finding of contempt were issues raised by the defendants on their previous appeal which was dismissed by this court with prejudice.*

The present appeal is the defendants' second in connection with this case. The defendants had raised the following issues on their first appeal:

Does plaintiff have valid common law trademarks on the various double "G" designs where trademark registered to third party under the present facts.

Further, did the defendant Jerry Finkelstein willfully violate court decree.

(SA 25). The defendants on their first appeal were contesting the validity of the 4 G mark as well as appealing from the Order of June 9, 1976, by which the defendants had been held in contempt and the plaintiff awarded the defendants' profits in connection with their infringing and contemptuous sales. The present appeal was intended to raise the following issues:

1. *Does Plaintiff have common law trademarks on the various "double G" designs, where trademark registered to third party.*
2. *Did Jerome Finkelstein willfully violate (sic) court decree?*

3. Is the damage award, master fees, attorney fees, and other parts of the decision of Judge McMahon [sic] proper under the circumstances.

(emphasis added) (Civil Appeal Pre-Argument Statement of February 22, 1977). The defendants are once more, in effect, appealing from the district court's Order of June 9, 1976 as well as contesting the validity of the 4 G mark.

The first appeal by the defendants was dismissed by this court on September 17, 1976, on the ground that the defendants had defaulted by their failure to file either Brief or Appendix as directed (SA 59). This was plainly not a voluntary dismissal within the meaning of Rule 42, Federal Rules of Appellate Procedure. The defendants had neither moved this court for a dismissal on such terms as this court might have deemed just nor obtained from plaintiff an agreement dismissing the appeal on certain specified terms.

Such an involuntary dismissal must be considered as a dismissal on the merits so as to operate as a bar to raising the identical issues in this later appeal. There is no right to a voluntary dismissal. *See, Blount v. State Bank & Trust Company*, 425 F.2d 266 (4th Cir. 1970). Hence, the burden of moving for a dismissal without prejudice is on the party seeking to obtain the benefits of such a dismissal. To consider the defendants' first dismissal as one without prejudice would, in effect, permit a defaulting party, such as the defendants, a voluntary dismissal without the necessity of at least a minimal showing of just cause to this Court. *See, Rule 41(b), Federal Rules of Civil Procedure.*

Accordingly, the defendants on this, their second appeal, are barred from arguing those issues raised in their previously dismissed appeal. In particular, they may not contest the district court's findings and conclusions with

respect to (1) the validity of plaintiff's 4 G mark, and (2) its adjudging the defendants in contempt and its award to plaintiff of the defendants' unlawful profits.

B. *The finding that the plaintiff has valid rights to the 4 G trademark is res judicata.*

The district court, pursuant to Rule 65(a) (2), Federal Rules of Civil Procedure, had, on July 23, 1975, ordered the trial of the action on the merits consolidated with the hearing on plaintiff's application for a preliminary injunction (Transcript of July 23, 1975, p. 9). No jury demand had been made. After two days of hearing testimony, the Court made the following findings of fact and conclusions of law:

The evidence overwhelmingly establishes that plaintiff is the licensee of Givenchy, that Givenchy does have a common law trademark in the name Givenchy and in the emblem GG, that it is so recognized and identified by the public.

The emblem does identify the origin of the goods . . . the copying is admitted overwhelmingly, there can be no dispute about it; . . .

The foregoing will constitute this Court's findings of fact and conclusions of law. The trademark is infringed.

The Court also finds unfair competition in palming off the goods of the defendant as those of the plaintiff . . . the problem here is whether it tends to confuse the purchasing public.

There can be no doubt about that. . . .

This is deliberate and a wilful trademark infringement and unfair competition.

(Transcript of July 28, 1975, pp. 73, 74) These findings were subsequently confirmed by the court in its Order Granting Preliminary Injunction, which was signed on August 12, 1975.

No appeal contesting these findings of fact and conclusions of law was ever taken. Instead it was stipulated between the parties that the district court's findings of fact and conclusions of law would be accepted as final and a Final Consent Decree entered. (SA 5, ' 1).

The defendants may not now, two years later, contest on this appeal these same findings of fact and conclusions of law, to which they consented. They are *res judicata*. See, 1B *Moore's Federal Practice* (2d Edition) ¶ 0.409(5). As stated by the district court, in overruling the defendants' arguments during the contempt proceedings that plaintiff had as yet not obtained a registration for the 4 G mark, and hence could not claim exclusive rights to this mark:

I have already held that the mark is a valid mark, common law mark, that is *res judicata* between the parties.

(Transcript of April 30, 1976, p. 55).

C. *The basis for a permanent injunction on consent may not be collaterally attacked during contempt proceedings.*

In appealing, in effect, from the district court's Order of June 9, 1976, which adjudged the defendants in contempt for having willfully violated that same court's Consent Decree of October 21, 1975, the defendants are attempting to re-open for consideration the basis for the Decree of October 21 by which the defendants were permanently enjoined from using the 4 G mark or any colorable imitation of it.

However, there is a "long-standing rule that a contempt proceeding does not open to reconsideration the legal or factual basis of the order alleged to have been disobeyed . . . [D] isobedience [of a final order] cannot be justified by re-trying the issues as to whether the order should have issued in the first place." *Maggio v. Zeitz*, 333 U.S. 56, 69 (1948); *Pellon Corporation v. Berg*, 176 U.S.P.Q. 250 (E.D.N.Y. 1972). As this court has held in a case in which the defendant attempted to challenge the terms of a permanent injunction on the ground that it was overly broad:

Where . . . a permanent injunction is violated, the interest in enforcement consists not only of the need to maintain respect for court orders and for judicial procedures, but also of the need to avoid repetitious litigation. This latter interest, the interest which the doctrine of *res judicata* serves in all of its applications, militates in favor of barring collateral attacks upon permanent injunctions in civil contempt proceedings . . .

National Labor Relations Board v. Local 282, International Brotherhood of Teamsters, 428 F.2d 994, 999 (2d Cir: 1970).

In the present case the defendants may not, in defense of their violation of the permanent injunction, re-try the findings of validity of plaintiff's 4 G mark which had formed the basis for the entry of that injunction. Such a collateral attack on a permanent injunction is especially inappropriate where the parties themselves have consented to the terms of the injunction. *AMF Incorporated v. International Fiberglass Co., Inc.*, 469 F.2d 1063, 1065 (1st Cir. 1972).

POINT II

The district court's finding that plaintiff has valid rights to the 4 G trademark was not clearly erroneous.

Even if the defendants were not barred from contesting the validity of the 4 G mark, their arguments on this issue are frivolous. There has been no showing, or any palpable argument, that any finding made by the district court was "clearly erroneous".

A. Letters, such as the 4 G device, can function as trademarks.

Letters may function as trademarks. *See, e.g., Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 36 (2d Cir. 1945); *Mishawaka Rubber and Woolen Mfg. Co. v. Bata Narodni Podnik*, 222 F.2d 279, 287 (C.C.P.A. 1955).

In response, the defendants argue that "[w]hile under earlier English trademark rulings . . . initials were held to be valid trademarks, the modern English rule seems to be to the contrary" (Brief for Defendants, p. 11), citing two cases dating back to 1913 and 1916. However, English law is irrelevant, since under American law letters are considered valid trademarks. Moreover, under recent English case law and statutory authority, for whatever relevance this may have to the instant case, letters are considered valid trademarks so long as sufficient use can be shown. *British Petroleum Company, Limited v. European Distributors Limited*, (1968) R.P.C. 54; English Trade Marks Act of 1938, Section 9 (e).

B. The 4 G device functions as a common law trademark and as such, need not be federally registered.

The district court found that the evidence overwhelmingly established that the 4 G device did function as a

common law trademark. After hearing testimony which indicated that the trade and public did, in fact, recognize the 4 G mark as indicating origin (Transcript of July 23, 1975, p. 34; Transcript of July 28, 1975, pp. 49-51), the court concluded:

The emblem does identify the origin of the goods. The plaintiff has expended large sums of money . . . over \$750,000 in advertising and in creating goodwill.

(Transcript of July 28, 1975 pp. 73-74). There is nothing in the record to indicate that this finding was clearly erroneous.

As a common law trademark, the 4 G mark need not be federally registered to be entitled to protection under the Lanham Act. 15 U.S.C. 1125a; *Gilliam v. American Broadcasting Companies, Inc.*, 192 U.S.P.Q. 1, 9 (2d Cir. 1977); *Joshua Meier Co. Inc. v. Albany Novelty Manufacturing Co.*, 236 F.2d 144, 147 (2d Cir. 1956); *Apollo Distributing Co. v. Apollo Imports Inc.*, 342 F.Supp. 455, 458 (S.D.N.Y. 1972). See, *Boston Professional Hockey Association Inc. v. Dallas Cap & Emblem Manufacturing Inc.*, 510 F.2d 1004, 1012-13 (5th Cir. 1975), *cert. denied*, 423 U.S. 868. In the absence of a federal registration, a common law trademark does not somehow fall into the public domain as the defendants suggest (Brief for Defendants, pp. 2, 9).

C. *The Sears and Compeco doctrines do not preclude relief under the Lanham Act for non-federally registered devices, such as the 4 G mark.*

Defendants cite *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compeco Corp. v. Day-Brite Lighting Inc.*, 376 U.S. 234 (1964), for the proposition that a "state under unfair competition laws may not forbid copying" (Brief for Defendants, p. 9).

However, *Sears* and *Compco* were design patent cases involving three dimensional configurations. The present case involves a two dimensional device of 4 G's and fits within the definition of a trademark as defined by the Lanham Act. 15 U.S.C. 1127 ("devices"). Similar devices have, in fact, been held registrable. *See, e.g. In re Keeper Chemical Corporation*, 177 U.S.P.Q. 771 (T.T.A.B. 1973) (back to back K's).

In addition, *Sears* and *Compco* involved state unfair competition law. The present case was brought pursuant not only to state law but also to federal law, that is, Section 43(a) of the Lanham Act. Hence, the preemption issues of *Sears* and *Compco* do not arise. *Bogene, Inc. v. Whit-Mar Manufacturing Co., Inc.*, 253 F.Supp. 126, 128 (S.D.N.Y. 1966). *See, Truck Equipment Service Company v. Fruehauf Corporation*, 536 F.2d 1210, 1214 (8th Cir. 1976).

D. Use of the 4 G mark by the plaintiff alone in connection with garments does not invalidate plaintiff's license with Givenchy.

The defendants argue that "as no operation of Givenchy S.A. within the United States has been alleged, but only that of Chesa International, Ltd., their licensee . . . the property right could not have arisen. The contract of license from Givenchy S.A. to Chesa International is clearly nugatory" (Brief for Defendants, pp. 10, 11).

Whether Givenchy has ever used the 4 G mark on garments in the United States is irrelevant. Use of a mark by a related company, such as a controlled licensee, inures to the benefit of the licensor, notwithstanding that the licensor may itself not have used the mark in connection with the particular goods. *Turner v. H.M.H. Publishing Co. Inc.*, 380 F.2d 224 (5th Cir. 1967), *cert. denied*, 389 U.S. 975; *Warner Bros. Inc. v. Road Runner Car Wash, Inc.*, 189 U.S.P.Q. 430 (T.T.A.B. 1975).

Plaintiff manufactures and sells garments bearing the 4 G mark under written license from Givenchy who carefully supervises plaintiff's operations so as to guarantee the quality of these items. Whether Givenchy at the time of execution of the license agreement had itself previously used the 4 G mark on garments in the United States does not lessen Givenchy's and plaintiff's current rights as a result of plaintiff's extensive use of the mark under Givenchy's supervision for the past several years.

POINT III

The district court's finding of contempt was not clearly erroneous and its award to plaintiff of the defendants' unlawful profits was not an abuse of its discretion.

The district court in July, 1975, had found that the defendants had willfully infringed the 4 G mark. Notwithstanding this finding, the plaintiff stipulated to waive its rights to all past profits conditional only on the defendants' "faithful . . . adherence" to the terms of the Consent Decree which would be entered and would enjoin use by the defendants of the 4 G mark or any colorable imitation of it.

Shortly after the entry of this Decree, the defendants willfully violated the Decree. They began using a "colorable imitation" of the 4 G mark, in particular, a 2 G device which consisted of the bottom half of the 4 G mark. There can be little doubt that this 2 G device is a colorable imitation of the 4 G mark, especially considering the special standard imposed on those previously enjoined. *AMF Incorporated v. International Fiberglass Co., Inc.*, 469 F.2d at 1063. It is equally clear that the defendants failed to adhere in good faith to the terms of the Decree. His first company, Fashion Associates, having been enjoined, Mr. Finkelstein only twenty days after the entry of the Final

Consent Decree formed a second company, Hong Kong, in an attempt to circumvent that Consent Decree. As the District Court summarized:

... [T]he defendant did willfully and deliberately violate this Court's order; ... he went out and tried to find or come as close as he possibly could to imitating the plaintiff's ... mark. This wasn't a license to go out and make a colorable imitation. It was a specific direction not to make the copy of it or any colorable imitation. Instead of that right out of his own mouth he sends his daughter to find a bracelet or some other [article] that has got a couple of G's on it so that he comes as close as he possibly can. I find that he is in contempt of Court and I will grant an appropriate decree.

(Transcript of April 30, 1976, pp. 56, 57).

After finding the defendants in contempt, the district court awarded to the plaintiff the defendants' unlawful profits. The court did so by amending the Final Consent Decree so as to award those profits which had been conditionally waived by the plaintiff. Rule 60 (b) (6), Federal Rules of Civil Procedure. *See, U.S. v. Gould*, 301 F.2d 353 (5th Cir. 1962); *Martina Theatre Corporation v. Schine Chain Theatre, Inc.*, 278 F.2d 798, 802 (2d Cir. 1960); *L.M. Leathers' Sons v. Goldman*, 252 F.2d 188, 190 (6th Cir. 1958). It also awarded those profits which had been gained as a result of the contemptuous sales of garments bearing the 2 G device. *See, W.E. Bassett Company v. Revlon, Inc.*, 435 F.2d 656, 664-65 (2d Cir. 1970). However, the court denied to the plaintiff all other forms of relief, such as attorneys' fees, which the court might have awarded. *See, W.E. Bassett v. Revlon, Inc.*, 435 F.2d at 664-65.

By so limiting plaintiff's recovery, notwithstanding the repeated willfulness of defendants' conduct, the district court could hardly be said to have acted "improperly" or to have abused its discretion, as the defendants argue (Brief for Defendants, p. 1, ¶ 3).

POINT IV

The special master's finding that disclosure of all of the defendants' customers, embroiderers and related companies was relevant and necessary was not clearly erroneous in light of the defendants' own inadequate records, the protective order provided them, their willfully contemptuous and infringing conduct and their admitted fabrication of evidence.

As a final ground for reversing the district court, the defendants argue that "Interrogatories" 1, 4 and 13 of the special master were "unreasonable" due to "the nature of the ladies' sportswear manufacturing trade practices" (Brief for Defendants, p. 2, ¶ 2B). These "Interrogatories" relate to certain information which the defendants had been directed to disclose at the first meeting before the special master, subsequently confirmed by letter dated June 25, 1976, from the special master to the parties' attorneys (SA 56, 58). In particular, the special master had directed that the defendants disclose: (1) the names of all their embroiderers (Interrogatory 1); (2) the names of all their customers (Interrogatory 4); and (3) the names of every company involved in the garment business of which defendant Jerome Finkelstein was an officer, partner or owner of more than 10% of the stock (Interrogatory 13). The defendants, through their attorneys, had at the first meeting before the special master agreed to supply all of this information with the exception of the answer to

Interrogatory 13 (SA 29) and plaintiff's attorneys, in turn, had agreed, as well as been directed by the special master, not to disclose to their client any of the names of the embroiderers or customers (SA 34).

In arguing that disclosure of this information was "unreasonable" in light of "the nature of ladies' sportswear manufacturing trade practices", the defendants appear to claim that the names of customers, embroiderers and other companies possibly related to the defendants constitute "trade secrets" and hence need not be revealed under any circumstances. This is the position the defendants eventually adopted before the special master. Refusing to comply with the master's order as well as failing to abide by their own agreement, they limited the plaintiff to invoices showing those customers whom they could "recall" as having purchased garments bearing the infringing marks.

However, as stated by Professor Moore, there is

[n]o absolute privilege [which] protects trade secrets from disclosure through the discovery process. If the information sought is *relevant* and *necessary* at the discovery stage . . . , disclosure will be required.

(emphasis added) 4 Moore's *Federal Practice* (2d Edition), p 26.60(4) pp. 26-242, 26-243, and cases cited therein; Wright & Miller, *Federal Practice and Procedure*, Section 2043 and cases cited therein.

The names of all of the defendants' customers and embroiderers were relevant and necessary in order to determine the defendants' unlawful profits. Plaintiff's need for these names arose from the fact that the defendants' own records did not differentiate between garments bearing

the plaintiff's mark and the marks of others. As the Special Master observed (SA 34, 35):

. . . It was obvious that the defendants never had any incentives to keep accurate records about the Givenchy marks, or about the true amount of their sales, but that they did have incentives to keep accurate records of their embroiderers and customers . . .

The embroiderers are a type of supplier. I do not see why their names should be immune any more than the names of customers. Moreover, in this particular case, the embroiderers might well have better records or better memories of particular marks than the customers would have.

Moreover, plaintiff's attorneys had agreed, and were specifically directed by the special master, not to divulge "to their client or to anyone not in the employ of their law firm, any of the names or addresses of embroiderers or customers" (SA 34, 58). The defendants never sought any other or further relief from the Special Master or from the district court and with such a protective order the names of customers and embroiderers are a proper subject for discovery. *La Chemise Lacoste v. General Mills, Inc.*, 53 F.R.D. 596, 605 (D. Del. 1971), *aff'd on other issues*, 487 F.2d 312 (3d Cir. 1973); *American Oil Co. v. Pennsylvania Petroleum Products Co.*, 23 F.R.D. 680, 683-85 (D. R.I. 1959).

However, even with this protective provision, the defendants refused to provide anything other than the invoices of those customers whom Mr. Finkelstein could "recall" as having purchased garments bearing the 4 G mark. Verification of Mr. Finkelstein's "recall" was plainly necessary considering that Mr. Finkelstein had twice willfully in-

fringed the plaintiff's trademark through two of his companies, Fashion Associates and Hong Kong. Moreover, this necessity was borne out when subsequently Mr. Finkelstein admitted to having fabricated one of the invoices provided to the special master and to the attorneys for the plaintiff. Eventually the invoices supplied by Mr. Finkelstein revealed the names only of customers of whom the defendants knew the plaintiff was already aware.

In these circumstances, the special master's finding that it was necessary and relevant to make a full disclosure of the defendants' customers and embroiderers was by no means "clearly erroneous".

Similarly not "clearly erroneous" was the special master's finding that it was relevant and necessary to disclose the names of any company involved in the garment business of which Mr. Finkelstein was an officer, partner or owner of more than 10% of the stock. Mr. Finkelstein had himself been held in contempt and was personally liable to the plaintiff for any profits made by him through any of his agents, including any other companies in addition to Fashion Associates and Hong Kong in which he might similarly have become involved. Accordingly, it was relevant and necessary to determine whether he had derived additional unlawful profits from such undisclosed companies.

POINT V

This appeal warrants an award of attorneys' fees and double costs since the issues raised by the defendants are both not timely and lacking in merit and since there has been no showing that any findings of the district court were clearly erroneous.

This appeal by the defendants is frivolous. Supposedly three issues are being raised: (1) the validity of the 4 G mark, (2) the award to the plaintiff of the defendants' unlawful profits, and (3) the relevance and necessity of a disclosure of all of the defendants' customers, embroiderers and related companies. The first two of these issues the defendants are estopped from arguing on three separate grounds. *See*, Point I, above. In addition, only one of these three issues—the validity of the 4 G mark—is ever argued by the defendants in their Brief. The remaining two issues are referred to in one line “statements” and “subsidiary statements” of the issues but then are never mentioned again (Brief for Defendants, p. 1 ¶¶ 2, 3, p. 2, ¶ 2B). As to these issues, the burden has placed on the plaintiff to construct the defendants' arguments so as then to refute them. Points III and IV, above.

The defendants have also raised other issues in an equally summary manner which have no basis at all in the record and as such, are entirely spurious. By way of example, the defendants allege that “the Special Master exceed[ed] his authority in determination of damages when he ruled on the confusingly similar aspects of the plaintiff's and defendant's marks” (Brief for Defendants, p. 2, ¶ 2A). However, there is nothing in the record which even remotely resembles such a ruling by the special master.

Plaintiff at the pre-argument conference and by subsequent letter advised the defendants that to raise on this appeal every issue ever decided by the district court in this case would, in plaintiff's opinion, unnecessarily and unjustly impose further expenses on the plaintiff (Motion for Summary Dismissal, Exhibit J). This is what the defendants have done. The defendants have raised, or attempted to raise, nearly every issue decided by the district court, notwithstanding the lack of timeliness or the absence of merit.

The defendants on this appeal have raised a superfluity of issues, all frivolous and briefed in a manner ignoring the more than sufficient evidence supporting the district court's findings of fact. No showing has been presented to this court that such findings of fact as were made by the district court were clearly erroneous. No argument has been put forth that the district court in any way abused its discretion. This appeal by the defendants is utterly frivolous and plainly warrants an award to the plaintiff of its damages in connection with the appeal, including both attorneys' fees and double costs. Rule 38, Federal Rules of Appellate Procedure; *Oscar Gruss & Son v. Lumbermans Mutual Casualty Co.*, 422 F.2d 1278 (2d Cir. 1970).

CONCLUSION

For the reasons above set forth, plaintiff respectfully requests that the Opinion and Orders of the district court be affirmed in all respects and that damages, including attorneys' fees and double costs, be awarded to the plaintiff.

Respectfully submitted,

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(212) 245-2600

Of Counsel:

PAUL B. MOROFSKY,
JAMES N. PALIK, and
ROBERT ALPERT, ESQS.

UNITED STATES COURT OF APPEAL
FOR THE SECOND CIRCUIT

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CHESA INTERNATIONAL, LTD., :
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Plaintiff-Appellee, :
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v. :
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FASHION ASSOCIATES, INC. et al :
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Defendants-Appellants :
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DOCKET NO. 77-7086

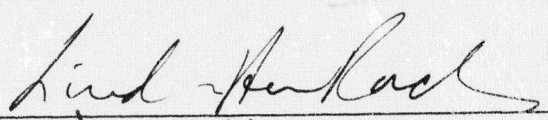
AFFIDAVIT OF
SERVICE OF PLAINTIFF'S
BRIEF AND SUPPLEMENTA
APPENDIX

STATE OF NEW YORK)
) S.S.:
COUNTY OF NEW YORK)

Linda Ann Rackis being duly sworn, deposes
and says:

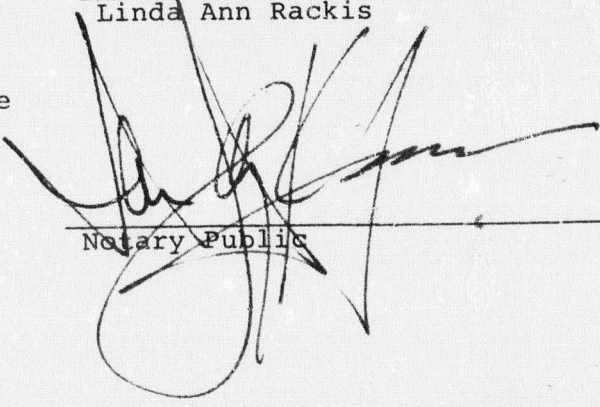
1. Deponent is not a party to the action
and is over 18 years of age.

2. On August 10, 1977, deponent served two
copies of the plaintiff's Brief and one copy of the Supplementary
Appendix upon Robert L. Rattet, attorney for defendants in this
action, at 344 Central Avenue, Scarsdale, New York, the address
designated by said attorney for that purpose by depositing a
true copy of same, enclosed in a properly addressed envelope
bearing sufficient postage, in an official depository under the
exclusive care and custody of the United States Postal Service
with the State of New York.


Linda Ann Rackis

Subscribed and sworn to before me
this 10th day of August, 1977

IAN JAY KAUFMAN
NOTARY PUBLIC, STATE OF NEW YORK
No. 31-2048450
Qualified in New York County
Commission Expires March 30, 1979


Notary Public

S
RY

STATE OF NEW YORK, COUNTY OF

ss.:

The undersigned, an attorney admitted to practice in the courts of New York State,

☐ Certification By Attorney certifies that the within has been compared by the undersigned with the original and found to be a true and complete copy.

☐ Attorney's Affirmation shows: deponent is

the attorney(s) of record for in the within action; deponent has read the foregoing and knows the contents thereof; the same is

true to deponent's own knowledge, except as to the matters therein stated to be alleged on information and belief, and that as to those matters deponent believes it to be true. This verification is made by deponent and not by

The grounds of deponent's belief as to all matters not stated upon deponent's knowledge are as follows:

The undersigned affirms that the foregoing statements are true, under the penalties of perjury.

Dated:

The name signed must be printed beneath

STATE OF NEW YORK, COUNTY OF

ss.:

☐ Individual Verification

the

being duly sworn, deposes and says: deponent is in the within action; deponent has read

the foregoing deponent's own knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters deponent believes it to be true.

☐ Corporate Verification

the a

of corporation,

in the within action; deponent has read the and knows the contents thereof; and the same

foregoing is true to deponent's own knowledge, except as to the matters therein stated to be alleged upon information and belief, and as to those matters deponent believes it to be true. This verification is made by deponent because is a corporation and deponent is an officer thereof.

The grounds of deponent's belief as to all matters not stated upon deponent's knowledge are as follows:

Sworn to before me on

19

The name signed must be printed beneath

STATE OF NEW YORK, COUNTY OF

ss.:

being duly sworn, deposes and says: deponent is not a party to the action,

is over 18 years of age and resides at

19

deponent served the within

☐ Affidavit of Service By Mail

On upon attorney(s) for

in this action, at

the address designated by said attorney(s) for that purpose by depositing a true copy of same enclosed in a post-paid properly addressed wrapper, in — a post office — official depository under the exclusive care and custody of the United States Postal Service within the State of New York.

Check Applicable Box

☐ Affidavit of Personal Service

On deponent served the within

19

at

upon

the

herein, by delivering a true copy thereof to h personally. Deponent knew the person so served to be the person mentioned and described in said papers as the therein.

Sworn to before me on

19

The name signed must be printed beneath

NOTICE OF ENTRY

Index No. 77-7086

Year 19 77

Sir:-Please take notice that the within is a (certified)
true copy of a
duly entered in the office of the clerk of the within
named court on 19

Dated,

Yours, etc.,

**LADAS, PARRY, VON GEHR,
GOLDSMITH & DESCHAMPS**

Attorneys for

Office and Post Office Address

10 Columbus Circle

Borough of Manhattan New York, N. Y. 10019

To

Attorney(s) for

NOTICE OF SETTLEMENT

Sir:-Please take notice that an order

of which the within is a true copy will be presented
for settlement to the Hon.

one of the judges of the within named Court, at

on the day of 19

at M.

Dated,

Yours, etc.,

**LADAS, PARRY, VON GEHR,
GOLDSMITH & DESCHAMPS**

Attorneys for

Office and Post Office Address

10 Columbus Circle

Borough of Manhattan New York, N. Y. 10019

To

Attorney(s) for

CHESA INTERNATIONAL, LTD.,

Plaintiff-Appellee,

v.

FASHION ASSOCIATES, INC., et al

Defendants-Appellants

AFFIDAVIT OF SERVICE OF
PLAINTIFF'S BRIEF AND SUPPLEMENTARY
APPENDIX

**LADAS, PARRY, VON GEHR,
GOLDSMITH & DESCHAMPS**

Attorneys for Plaintiff

Office and Post Office Address, Telephone

10 Columbus Circle

Borough of Manhattan New York, N. Y. 10019

(212) 245-2600

To

Attorney(s) for

Service of a copy of the within

is hereby admitted.

Dated,

Attorney(s) for